INSTITUTIONAL CONTROL

MONITORING AND MAINTENANCE FUND

FINANCIAL STATEMENTS

For The Year Ended March 31, 2016

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of The Institutional Control Monitoring and Maintenance Fund, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and accumulated surplus and statement of remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Institutional Control Monitoring and Maintenance Fund as at March 31, 2016, and the results of its operations, and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 14, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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INSTITUTIONAL CONTROL MONITORING AND MAINTENANCE FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2016	2015
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 4)	$ 5	$ 344
Investments (Note 5)	148,154	150,657
Interest Receivable	5	47
Total Financial Assets	148,164	151,048
LIABILITIES	----	----
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS (Note 3)	$ 148,164	$151,048
Accumulated Surplus is comprised of:		
Beginning Accumulated Total Surplus	$ 151,048	$172,479
Operating Surplus Gain	26	(24,341)
Remeasurement Loss/Gains	(2,910)	2,910
Ending Accumulated Total Surplus	$ 148,164	$151,048

(See accompanying notes to the financial statements)

INSTITUTIONAL CONTROL
MONITORING AND MAINTENANCE FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended March 31

	Budget	Actual	
	2016 (Note 8)	2016	2015
REVENUES:			
Interest (Note 4 and 5)	$ ----	$ 26	$ 838
Fees (Note 6)	----	----	----
Total Revenues	----	26	838
EXPENSES:			
Monitoring and Maintenance	----	----	25,147
Administration Costs	----	----	32
Total Expenses	----	----	25,179
ANNUAL SURPLUS/(DEFICIT)	$ ----	$ 26	$ (24,341)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		148,138	172,479
ACCUMULATED SURPLUS, END OF YEAR – to Statement 1		$ 148,164	$ 148,138

(See accompanying notes to the financial statements)

INSTITUTIONAL CONTROL
MONITORING AND MAINTENANCE FUND
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
Year Ended March 31

	2016	2015
ACCUMULATED REMEASUREMENT GAINS(LOSSES), BEGINNING OF YEAR	$ 2,910	$ ----
Unrealized gains (losses) attributable to:		
Canadian Market Linked GIC's (Note 5) - to Statement 1	(2,910)	2,910
Amount reclassified to the Statement of Operations and Accumulated Surplus	----	----
Net remeasurement gains and (losses) for the year	$ ----	$ 2,910
ACCUMULATED REMEASUREMENT (LOSSES) GAINS, END OF YEAR	$ ----	$ 2,910

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

1. Authority

The Institutional Control Monitoring and Maintenance Fund (Fund) was established on April 3, 2009 pursuant to Sections 11 and 12 of *The Reclaimed Industrial Sites Act* (Act). In 2007, the Government of Saskatchewan legislated the Act and *The Reclaimed Industrial Sites Regulations* (Regulations) to establish and enforce the Institutional Control Program (ICP).

The purposes of the ICP are to:

- set out the conditions by which the Government of Saskatchewan will accept responsibility for land that, in consequence of development and use, requires long-term monitoring and, in certain circumstances, maintenance;
- ensure that the required monitoring and maintenance are carried out on that land;
- provide a funding mechanism to cover costs associated with the monitoring and maintenance on that land; and
- ensure that certain records and information are preserved with respect to that land.

The purpose of the Institutional Control Monitoring and Maintenance Fund is to cover the monitoring and maintenance costs of reclaimed industrial sites registered in the ICP.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an "other government organization". These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Operations and Accumulated Surplus. A Statement of Changes in Net Financial Assets is not presented as the Fund does not hold any non-financial assets.

Use of Estimates

The preparation of the financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current revenues and expenses or unrealized gains and losses when identified.

Revenue

Fees are recognized as revenue when a site owner has completed decommissioning and reclamation work and the site has been accepted into the ICP's Registry.

Interest is recognized as revenue when earned. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations and Accumulated Surplus.

Financial guarantees provided by site holders as security for monitoring and maintenance costs are recorded as financial assets and revenue of the Fund when redeemed (Note 6).

Financial guarantees that are no longer deemed necessary to cover a maximum failure event are returned to the site owner.

Financial Assets

The Fund's financial assets include Due from General Revenue Fund, Investments and Interest Receivable. The Due from General Revenue Fund and Interest Receivable are recorded at cost. The carrying amount of Due from General Revenue Fund and Interest Receivable approximates fair value due to its immediate or short-term maturity. Investments consist of guaranteed investment certificates quoted in an active market and are measured at fair value. The fair value is linked to the performance of the S&P/TSX 60 Index.

Risk

These instruments have no significant exposure to credit risk and liquidity risk. Investments are subject to market risk. Market risk is the risk that arises from changes in the value of financial instruments. Values can be affected by changes in interest rates, foreign exchange rates, and equity prices. Only the interest-only portion of the investment is subject to market risk as the principal is guaranteed. The investments are classified using a hierarchy that reflects the significance of the inputs used in determining their measurement. Under the classification structure for financial instruments, investments are classified at Level 1 for financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities.

3. Net Financial Assets

The net financial assets of the Fund are available under Sections 11 and 12 of the Act to provide for the costs of long term planned monitoring and maintenance activities required at a site.

4. Due from the General Revenue Fund

The Fund's money is on deposit with the General Revenue Fund (GRF) and in a bank account included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Fund's earned interest is calculated and paid by the GRF on a quarterly basis to the Fund using the Government's thirty-day borrowing rate and the Fund's average daily account balance. The Government's average thirty-day borrowing rate for 2016 is 0.60% (2015 - 0.92%).

5. Investments

The Institutional Control Fund Advisory Committee was formed to direct investment activity of the Fund until the Fund is self-sufficient and a fund manager can be assigned. All investments are CDIC insured. Investments consist of guaranteed investment certificates (GICs) that have the following terms:

$ 1,000	Maturing July 17, 2016 – with an interest rate of 0.73%
70,000	Maturing May 16, 2017 – gains are linked to performance of the S&P/TSX 60 Index
72,894	Maturing May 16, 2017 – gains are linked to performance of the S&P/TSX 60 Index
4,260	Maturing July 17, 2018 – gains are linked to performance of the S&P/TSX 60 Index

The interest rates on the GICs range from 0.73% to a rate linked to performance of the S&P/TSX 60 index for the Market Linked GICs.

Index rate risk

The sensitivity of the Fund's accumulated remeasurement gains (losses) due to changes in the S&P TSX 60 Index (Index) rate is summarized in the table below:

	March 31, 2016	
	100 basis points increase in Index rate	100 basis points decrease in Index rate
Increase (decrease) to remeasurement gains (losses)	$ 0	$ 0

Variable return and service level amounts are both negative on either side of the sensitivity analysis, therefore no interest measurement gains can be identified as negative returns result in $0 impact as principal is guaranteed.

6. Fees

The Regulations require an owner applying for entry of a closed site into the ICP to pay the Fund an amount representing the present value of the future costs associated with the monitoring and maintenance of the site.

In addition, as a condition of the site being accepted into the ICP, the Regulations require a site owner to provide the Fund with:

a) an agreed-upon amount of security in the form of financial guarantees that reflects the costs of dealing with a maximum failure event that could occur at the closed site; and / or
b) confirmations, satisfactory to the Minister, that addresses the site owner's legal responsibility and other conditions such as financial guarantees and credit worthiness to pay for a maximum failure event.

At March 31, 2016, the Fund held $33,250 (2015 - $33,250) in financial guarantees as security for maximum failure events at mine sites.

7. Related Party Transactions

Included in these financial statements are transactions with the government ministries and agencies related to the Fund by virtue of common control or significant influence by the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at rates charged by those organizations and are settled on normal trade terms.

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Ministry of the Economy. Once an investment manager is contracted, administrative costs will be charged to the Fund.

8. Budget

In 2014-15 a budget of $30,000 was identified for first scheduled monitoring and maintenance activities at Registry sites. The budget was developed and approved in consultation with industry stakeholders, the Ministries of Environment and Economy. No activities are currently budgeted for in the 2015-16 fiscal year.